

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1988

Commission file number 0-12014

IMPERIAL OIL LIMITED

(Exact name of registrant as specified in its charter)

CANADA

(State or other jurisdiction of
incorporation or organization)

98-0017682

(I.R.S. Employer
Identification No.)

111 St. Clair Avenue West,
Toronto, Ontario, Canada
(Address of principal executive offices)

M5W 1K3
(Postal Code)

Registrant's telephone number, including area code: (416) 968-4111

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

As of March 31, 1988, the number of shares outstanding of each of the issuer's classes of common stock, was as follows:-

<u>Class of common stock</u>	<u>Number of shares outstanding</u>
Class A Convertible shares	162,687,753
Class B Convertible shares	<u>993,699</u>
	163,681,452

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In this report all dollar amounts are expressed in Canadian dollars. Where comparative data for the current and prior periods are shown in two columns, current period data is shown in the left column and prior period data is shown in the right column. This represents a change in format from previous 10-Q and 10-K reports which showed prior period data to the left of the current data. This report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1987.

PART I - FINANCIAL INFORMATION

Item 1. Financial statements

IMPERIAL OIL LIMITED

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

	Three months ended March 31	
	1988	1987
	(millions of Canadian dollars)	
Revenues		
Crude oil	66	63
Natural gas	84	40
Petroleum products	1,276	1,227
Chemicals	201	162
Other operating revenues	61	116
Interest and investment income	27	27
Total revenues	1,715	1,635
Expenses		
Exploration	27	24
Purchases of crude oil and products	617	577
Operating	284	263
Marketing and administration	239	206
Interest	25	19
Total expenses	1,192	1,089
Revenues less expenses	523	546
Depreciation and amortization	112	96
Earnings before taxes	411	450
Income taxes (1)	72	96
Other taxes (2)	209	197
Total taxes	281	293
Net earnings	130	157
Per-share information (4)		
Net earnings	0.80	0.96
Dividends	0.45	0.40

IMPERIAL OIL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(unaudited)

	Three months ended March 31	
	1988	1987
	(millions of Canadian dollars)	
	inflows (outflows)	
Funds provided from operating activities	550	570
Revenues less expenses other than exploration	(248)	(267)
Current taxes	(249)	(204)
Change in operating working capital	(74)	(66)
Dividends		
Total funds provided from operating activities	(21)	33
Investment of funds		
Capital and exploration expenditures	(200)	(104)
Proceeds from sale of property, plant & equipment	5	3
Other	(8)	(6)
Total investment of funds	(203)	(107)
Inflow (outflow) of funds before external financing	(224)	(74)
External financing		
Long-term debt and other obligations, after repayment	1	(6)
Common shares issued	1	-
Total external financing	2	(6)
Inflow (outflow) of funds	(222)	(80)
Increase (decrease) in funds by component		
Outstanding cheques, less cash	(87)	84
Marketable securities	(172)	(164)
Short-term notes	37	-
Total increase (decrease) in funds	(222)	(80)

IMPERIAL OIL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

	As at Mar. 31 1988	As at Dec. 31 1987
	(millions of Canadian dollars)	
Current assets		
Cash, including short-term deposits	-	44
Marketable securities at cost, which approximates market value	305	477
Accounts receivable	740	791
Amounts receivable from Exxon Corporation and affiliates	3	-
Inventories of crude oil and products	901	882
Materials, supplies and prepaid expenses	152	147
Taxes recoverable	130	-
Total current assets	<u>2,231</u>	<u>2,341</u>
Current liabilities		
Outstanding cheques, less cash	43	-
Short-term notes	-	37
Accounts payable and accrued liabilities	775	847
Amounts owing to Exxon Corporation and affiliates	-	17
Taxes payable	-	54
Dividends payable	74	74
Total current liabilities	<u>892</u>	<u>1,029</u>
Total working capital	<u>1,339</u>	<u>1,312</u>
Investment and other long-term assets	400	407
Property, plant and equipment at cost	10,121	9,957
less accumulated depreciation and amortization	<u>3,335</u>	<u>3,227</u>
Property, plant and equipment (net)	6,786	6,730
Total capital employed	<u>8,525</u>	<u>8,449</u>
Sources of capital employed		
Long-term debt	804	823
Other long-term obligations	388	383
Commitments and contingent liabilities		
Deferred income taxes	1,710	1,677
Shareholders' equity:		
Common shares (3)	1,425	1,424
Earnings retained and used in the business (5)	4,198	4,142
Total shareholders' equity	<u>5,623</u>	<u>5,566</u>
Total sources of capital employed	<u>8,525</u>	<u>8,449</u>

The notes to the financial statements are part of these financial statements

IMPERIAL OIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

In the opinion of the management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position of the company as at March 31, 1988 and December 31, 1987, and the results of operations and changes in financial position for the three months ending March 31, 1988 and 1987.

The results of operations for the three months ending March 31, 1988 and 1987 are not necessarily indicative of the results to be expected for the full year.

1. Income taxes

	Three months ended March 31	
	1988	1987
	(millions of Canadian dollars)	
Current	39	70
Deferred	33	26
Total income taxes	<u>72</u>	<u>96</u>

2. Other taxes

	Three months ended March 31	
	1988	1987
	(millions of Canadian dollars)	
Federal sales tax	74	82
Fuel excise taxes	112	93
Property and other taxes	23	22
Total other taxes	<u>209</u>	<u>197</u>

IMPERIAL OIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

3. Common shares outstanding

	As at March 31 1988	As at December 31 1987
	(thousands of shares)	
Class A	162,688	162,665
Class B	993	1,009
Total	163,681	163,674

4. Common shares - Monthly weighted average

	1988	1987
	(thousands of shares)	
Three months ended March 31	163,680	163,654

5. Earnings retained and used in the business

	As at March 31 1988	As at December 31 1987
	(millions of Canadian dollars)	
At beginning of period	4,142	3,667
Add: Earnings for the period	130	745
Less: Dividends declared	(74)	(270)
At end of period	4,198	4,142

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations

Operating Results

Imperial Oil Limited's earnings from operations in the first quarter of 1988 were \$130 million, a decrease of 17 percent compared with the same period in 1987. Earnings per share were \$0.80, compared with \$0.96. The increase in production of crude oil and natural gas and the improved chemical earnings were more than offset by the fall in international crude-oil prices that occurred late last year. Since international crude-oil prices are expressed in U.S. dollars the increased strength of the Canadian dollar, which adversely affected Canadian crude-oil prices, resulted in a further reduction in earnings.

First quarter earnings from natural resources were \$65 million, down \$18 million from the same quarter of 1987. A 13-percent increase in the production of crude oil and natural-gas liquids and a 51-percent increase in the production of natural gas failed to offset lower prices.

Gross production of conventional crude oil and natural-gas liquids was 23.3 thousand cubic metres a day (m^3/d) during the first three months of 1988, an increase of 2.7 thousand m^3/d over the same period in 1987. This reflected increased production from the Norman Wells and Judy Creek fields and added production from properties acquired from Sulpetro Limited in December 1987.

Bitumen production from Cold Lake was 14.4 thousand m^3/d , an increase of 2.4 thousand m^3/d over the corresponding period of last year.

The company's share of gross₃ production from Syncrude in the first quarter of 1988 was 5.4 thousand m^3/d , unchanged from the same period last year.

Gross production of natural gas amounted to 11.8 million m^3/d during the first quarter, an increase of 4.0 million m^3/d from the first quarter of 1987. This was due primarily to production from the newly acquired Sulpetro properties.

Earnings from petroleum products operations in the quarter amounted to \$36 million, down from \$55 million during the same period last year. The main reasons for the decline were lower product margins, as prices reacted quickly to falling crude-oil prices, and higher operating costs, caused mainly by a higher level of scheduled refinery maintenance. Sales volumes of petroleum products were essentially unchanged from the first quarter of 1987. Increased sales of Esso branded gasoline and diesel fuels were offset by volume reductions resulting from the company's withdrawal from unattractive markets.

The company's chemical operations returned the best first-quarter results since 1981. Earnings were \$23 million, an increase of \$18 million from the first quarter of last year.

Petrochemical earnings improved substantially as strong demand, particularly for polyvinyl chloride and polyethylene resins, resulted in higher sales volumes and profit margins. Earnings from agricultural chemicals also improved compared with the first quarter of 1987. A higher proportion of domestic sales, a modest price recovery in North American fertilizer markets and lower raw-material costs contributed to the improvement.

Liquidity and Capital Resources

Operating activities resulted in a \$21 million outflow of funds during the first quarter of 1988, compared with an inflow of \$33 million during the same period of 1987. The main reason for the change was a substantial increase in the final installment payment for 1987 income taxes made in February 1988, compared to the final installment paid at the same time last year for 1986 income taxes.

Capital and exploration expenditures totalled \$200 million for the quarter. The company currently expects to invest around \$1 billion in 1988, substantially more than the \$741 million spent in 1987 excluding the Sulpetro acquisition. About three-quarters of this amount will be spent in the natural-resource area. This is in addition to the proposed purchase of the Alberta oil and gas assets of Ocelot Industries Ltd., which was announced in March, 1988.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (b) There were no reports on Form 8-K filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMPERIAL OIL LIMITED
(Registrant)

Date: April 28, 1988

W. D. WEST
(Signature)
W. David West
Vice-President and Comptroller
(Chief Accounting Officer)

Date: April 28, 1988

L. G. FRENCH
(Signature)
Lorne G. French
Assistant Secretary